BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP dba ROCKY MOUNTAIN POWER FOR APPROVAL OF THE 2017 PROTOCOL ALLOCATION METHODOLOGY	**CASE NO. PAC-E-15-16** **DIRECT TESTIMONY OF JEFFREY K. LARSEN**

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-15-16

DECEMBER 2015

Q. Please state your name, business address and present position with PacifiCorp, dba Rocky Mountain Power (the "Company").

A. My name is Jeffrey K. Larsen, and my business address is 1407 West North Temple, Suite 310, Salt Lake City, Utah 84116. I am currently employed as Vice President of Regulation for Rocky Mountain Power.

Qualifications

Q. Please summarize your education and business experience.

A. I received a Master of Business Administration degree from Utah State University in 1994, and a Bachelor of Science degree in Accounting from Brigham Young University in 1985. I have also participated in the Company's Business Leadership Program through the Wharton School, and an Advanced Education Program through the J.L. Kellogg School of Management at Northwestern University. In addition to formal education, I have also attended various educational, professional and electric industry-related seminars and training programs during my career at the Company.

I joined the Company in 1985, and I have held various accounting, compliance, regulatory and management-related positions prior to my current position.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified on various matters in the states of Utah, Idaho, Wyoming, California, Washington, Oregon, and Nevada.

Purpose and Overview of Testimony

Q. What is the purpose of your testimony?

A. My testimony describes the process and approaches leading up to this filing of the 2017 PacifiCorp Inter-Jurisdictional Allocation Protocol ("2017 Protocol"). Specifically, my testimony provides:

- a brief history of the Multi-State Process ("MSP") leading to the 2017 Protocol;
- a summary of the work conducted by the Broad Review Work Group ("BRWG") since November 2012 that has culminated in this filing;
- an overview of the 2017 Protocol;
- a discussion of the Company's view of the timing for commission proceedings necessary to process this application;
- a discussion of the annual commissioner's forum;
- an explanation of the purpose of the Equalization Adjustment;
- a discussion of the term of the 2017 Protocol; and
- a discussion of the Reservation of Rights.

Additionally, Mr. Steven R. McDougal addresses the calculation and implementation of the 2017 Protocol and discusses the revenue requirement analyses undertaken at the request of the BRWG.

Q. What is the purpose of your testimony in support of the 2017 Protocol?

A. My testimony describes and supports the 2017 Protocol agreed to among PacifiCorp and the signatories to the 2017 Protocol (referred to individually as a Party or collectively as the Parties). The 2017 Protocol describes the multi-jurisdictional allocation methodology that will be used by the Company in all rate proceedings beginning January 1, 2017.

Q. Are you also sponsoring an exhibit to your testimony?

A. Yes. Exhibit No. 1 presents the 2017 Protocol with all of its appendices. Although I sponsor Appendix A, Mr. McDougal sponsors the remaining appendices.

Brief History of MSP and the Development of the 2017 Protocol

Q. Please provide a brief history of the events that gave rise to the 2017 Protocol.

A. The MSP began in 2002, with PacifiCorp filing applications in each of its six jurisdictions to create a process to consider issues related to its status as a multi-jurisdictional utility. Following years of discussions and negotiations, the Revised Protocol was agreed to by the Parties and approved by the commissions in Idaho, Oregon, Utah and Wyoming. The Revised Protocol allocated costs among PacifiCorp's jurisdictions and ensured that the Company operated its generation and transmission system on an integrated basis to achieve a least cost-least risk resource portfolio, while allowing each state to independently establish its ratemaking policies.

Thereafter, subsequent and substantial discussions occurred to address various concerns raised by stakeholders in different states that resulted in the development of the 2010 Protocol. The 2010 Protocol was agreed to by the Parties on September 15, 2010, and was designed to allocate PacifiCorp's costs among its jurisdictions in an equitable manner, ensure PacifiCorp plans and operate its generation and transmission system on a six-state integrated basis that achieved a least cost-least risk resource portfolio for customers, allow each state to independently establish its ratemaking policies, and provide PacifiCorp with the opportunity to recover its prudently-incurred costs. The 2010 Protocol was approved by the commissions in Idaho, Oregon, Utah and Wyoming.

One of the terms of 2010 Protocol was a specified termination date. The Parties to the 2010 Protocol agreed that it would only be used for regulatory filings made before January 1, 2017. Knowing that it would take some time to develop a new allocation methodology, the MSP standing committee (a committee consisting of one member or delegate from each commission) and BRWG started collaborating in November 2012 to come up with potential solutions acceptable to all Parties in the context of an allocation methodology, including the performance of various studies by the Company at the request of the Standing Committee.

Q. Who participated in the MSP collaborative meetings?

A. The MSP meetings were typically attended by in excess of 50 individuals in person or by teleconference, representing 18 entities from the states of Idaho, Oregon, Utah, Washington and Wyoming. These included representatives of state commission policy staffs, advocacy staffs, industrial customers and consumer groups.

Q. Did stakeholders from California and Washington participate in the MSP?

A. Not for the entire process. Representatives from the California Public Utilities Commission participated in the May 1, 2015, commissioner forum, but did not participate in the negotiations. PacifiCorp's inter-jurisdiction allocation methodologies are considered in the course of the Company's general rate case cycle in California, and prior approval is generally not required. Representatives from Washington participated in early discussions, but they are not signatories to the 2017 Protocol since the Washington Utilities and Transportation Commission has adopted a different allocation methodology for PacifiCorp's Washington rate proceedings.

Q. Who are the signatories to the 2017 Protocol?

A. The Parties signing the 2017 Protocol include: the Company, Public Utility Commission of Oregon Staff, the Citizens' Utility Board of Oregon, the Idaho Public Utilities Commission Staff, Utah Division of Public Utilities, Utah Office of Consumer Services, Wyoming Office of Consumer Advocate, Wyoming Industrial Energy Consumers, and the Wyoming Public Service Commission Staff. The Utah Association of Energy Users was party to the negotiations and, although not available at the time of filing, the Company anticipates receiving a signature page and filing it with the Commission in the near future.

Q. Did the BRWG establish principles to guide their review of inter-jurisdictional cost allocation alternatives?

A. Yes, the BRWG developed principles and criteria to guide their review of allocation alternatives. The four key criteria that the allocation method should incorporate were to:

1. Maintain state sovereignty by not impeding states from pursuing policy directives or flexibility in establishing class allocation or rate design;
2. Provide an equitable solution for the Company and all states based on principles of cost causation;

3. Be sustainable by promoting rate stability and avoiding unreasonable or inappropriate cost shifts; and

4. Promote administrative ease.

Q. Do you believe the 2017 Protocol meets these requirements?

A. Yes. The 2017 Protocol generally accomplishes these requirements. During negotiations, however, some Parties requested that the 2017 Protocol be designed as a short-term methodology until impacts of the United States Environmental Protection Agency ("EPA") rules governing carbon pollution from existing power plants under section 111(d) of the Clean Air Act ("Rule 111(d)") and other issues could be better understood. Based on this feedback, the initial term of the 2017 Protocol is for two years with the option of a one year extension.

Q. How did Parties address the equity issue with the 2017 Protocol?

A. Through extensive negotiations with the Parties, an Equalization Adjustment was added to the 2017 Protocol to account for inconsistent implementation of the 2010 Protocol, and to allow the Company a better opportunity to recover its costs.

Q. Does the 2017 Protocol allow the Company an opportunity to collect all of its prudently incurred costs?

A. Not entirely. The Equalization Adjustment mitigates the issues caused by inconsistent implementation of the 2010 Protocol but it does not fully provide the Company the ability to recover all its costs.

Q. Why was the Company willing to agree to a method that didn't allow it to recover all of its cost?

A. The Company agreed to the 2017 Protocol for two primary reasons: first because this was a short-term solution; and second, the Company appreciated the BRWG good faith approach to implement an Equalization Adjustment which reduces the allocation short-fall the Company was experiencing with the 2010 Protocol.

Q. Does the 2017 Protocol contain provisions for continued dialogue among the states?

A. Yes. The Parties have committed to hold an annual public meeting to which all seated commissioners from each jurisdiction where the Company provides retail service will be invited to discuss the 2017 Protocol and other inter-jurisdictional allocation issues ("Commissioner Forums"), beginning in January 2017. All seated commissioners from each jurisdiction will be invited to participate in all Commissioner Forums. At the first Commissioner Forum, commissioners will be invited to discuss and make recommendations regarding extension of the 2017 Protocol and other inter-jurisdictional allocation issues that may arise.

In addition, before each annual Commissioner Forum, the Company will convene an MSP BRWG meeting for the purpose of discussing and monitoring emerging inter-jurisdictional allocation issues facing the Company and its customers, the status and implications of Rule 111(d), or the development of a regional independent system operator, in order to inform discussions at the Commissioner Forum.

Overview of 2017 Protocol

Q. Please provide an overview of the 2017 Protocol.

A. The 2017 Protocol was negotiated as an integrated, interdependent agreement. All sections were discussed, resulting in a negotiated agreement based on the entirety of the language. Any material alteration of any terms or conditions contained in the 2017 Protocol would require additional discussions and may affect any Party's continued support for the agreement.

Q. How was the 2017 Protocol developed?

A. The 2017 Protocol was largely developed using the 2010 Protocol as the starting point and further refining areas within that methodology to arrive at the new agreement and allocation methodology. A major focus was on arriving at a single allocation methodology that all of the Parties could support that made progress towards reducing the allocation shortfall resulting from differences in application of the 2010 Protocol. This resulted ultimately in the development of an Equalization Adjustment, that when combined with the Embedded Cost Differential ("ECD"), produces the 2017 Protocol Adjustment. The 2017 Protocol Adjustment is added to each state's annual revenue requirement. This modification to the 2010 Protocol is intended to reduce unintended ECD variations due to nonuniform implementation of the 2010 Protocol. Other changes were made to address direct access treatment, the duration of the 2017 Protocol, and process issues.

Detailed Discussions of Sections I to XIV

Q. Please describe each section of the 2017 Protocol Agreement.

A. The 2017 Protocol has 14 sections that contain the terms and conditions agreed to by the Parties through the negotiations. Section I provides an introduction to the 2017 Protocol. Section I makes it clear that the 2017 Protocol is not intended to prejudge the prudence of any costs or abrogate a State Commission's right and/or obligation to determine fair, just, and reasonable rates based upon the law of that State and the record established in rate proceedings conducted by that Commission. The Parties and State Commissions are also not prohibited from considering any changes in laws, regulations or circumstances on inter-jurisdictional allocation policies and procedures when determining fair, just, and reasonable rates. The 2017 Protocol also does not prohibit the establishment of different allocation policies and procedures for purposes of allocation of costs and revenues within a State to different customers or customer classes.

Section II discusses the effective period and expiration of the 2017 Protocol.

Section III identifies the classification of resources between Demand-Related, meaning capital and fixed costs incurred or revenues received in order to be prepared to meet the maximum demand imposed upon the Company's system, or Energy-Related, costs and revenues that vary based on the amount of energy delivered to customers.

Section IV discusses the allocation of resource costs and wholesale revenues. Resources are assigned to one of two categories of inter-jurisdictional allocation: State Resources or System Resources. State Resources refer to those resources that accommodate jurisdiction-specific policy. Costs for these resources are assigned to a specific jurisdiction. There are four types of State Resources: demand-side management programs; portfolio standards; qualifying facility contracts; and jurisdiction-specific initiatives. System Resources are all other resources and are allocated across all jurisdictions. This allocation methodology includes an Equalization Adjustment to be applied to each State's revenue requirement, as specifically identified in Section XIV of the 2017 Protocol.

Section V includes a commitment by the Company to submit filings seeking authorization from the State Commissions prior to filing for approval from the Federal Energy Regulatory Commission of the re-functionalization of facilities as transmission or distribution. This section also identifies the allocation for transmission costs and revenues as 75 percent Demand-Related and 25 percent Energy-Related.

Section VI states that distribution-related expenses and investments are directly assigned to the State in which the related facilities are located where possible. Costs that cannot be directly assigned are allocated based on the factors in Appendix B to the 2017 Protocol.

Section VII addressed the allocation of administrative and general costs. Such costs are allocated based on the factors in Appendix B to the 2017 Protocol.

Section VIII provides that any Special Contracts - contracts between the Company and one of its retail customers based on specific circumstances of the customer - will be included in load-based dynamic allocation factors identified in Appendix D to the 2017 Protocol.

Section IX states that any loss or gain from the sale of a Company-owned resource or transmission asset would be allocated among the States based on the allocation factor used to allocate the fixed costs of the resource or asset at the time of the sale. The 2017 Protocol reserves to each State Commission the authority to determine the appropriate allocation between the Company's customers and shareholders.

Section X addresses the treatment of loads lost to alternative energy suppliers through State direct access or other programs.

Section XI identifies the treatment of changes in retail load.

Section XII includes a commitment that the Company will plan and acquire resources on a system-wide least cost, least-risk basis, with prudently incurred investments reflected in rates consistent with the laws and regulations in each State.

Section XIII outlines the parameters for interpretation and governance. Section XIII also provides for a Commissioner Forum to be held annually and an MSP Workgroup, similar to the BRWG, open to any interested stakeholders. Proposals for new inter-jurisdictional allocation procedures, including any modifications proposed to the 2017 Protocol, can be submitted by any Party or Commission using the 2017 Protocol.

Section XIV contains additional, State-specific terms. These additional terms include the State-specific Equalization Adjustment negotiated by the Parties. This section also identifies specific commitments by the Company regarding general rate case timing during the effective period of the 2017 Protocol.

The 2017 Protocol also includes a set of appendices providing defined terms and specific details regarding allocation factors and their derivations. The appendices to the 2017 Protocol are more thoroughly discussed in the testimony of Mr. McDougal.

Term of 2017 Protocol

Q. Did the Parties agree to a specific effective period for the 2017 Protocol?

A. Yes. The Parties agreed to support Commission adoption or use of the 2017 Protocol in all PacifiCorp rate proceedings filed after December 31, 2016, through December 31, 2018. The 2017 Protocol will expire December 31, 2018, unless all state Commissions that approved the 2017 Protocol determine, by no later than March 31, 2017, that the term of the 2017 Protocol will be extended by an optional one-year extension through December 31, 2019. In determining whether the 2017 Protocol should or should not be extended, each state Commission can take such steps or provide such processes for public input as that Commission determines to be necessary or appropriate under applicable state laws.

Q. Why did the Parties agree to a two-year inter-jurisdictional allocation methodology?

A. The 2017 Protocol is intended to be a transitional allocation mechanism while the impacts of Rule 111(d) and other multi-jurisdictional issues are better understood and analyzed. The 2017 Protocol also provides an opportunity for PacifiCorp to analyze, among other things, alternative allocation methods that may include the formation for a regional independent system operator, corporate structure alternatives, or divisional allocation methodologies, in light of the changing electric industry in the Western United States.

Q. Assuming that the four state Commissions acknowledge the 2017 Protocol, what ongoing processes does the Company envision related to the 2017 Protocol?

A. As reflected in the 2017 Protocol, the Company committed to perform studies and analysis and to continue to report the results of this ongoing work to the BRWG. Although the elements of the 2017 Protocol are designed to minimize controversy and provide predictability through calendar year 2018, and perhaps 2019, there are always emerging issues on which it is valuable for the BRWG to continue to engage in discussions.

Resource Classification and Cost and Revenue Allocation

Q. How does the 2017 Protocol allocate costs and revenues?

A. Resources fixed costs, wholesale contracts, and short-term firm purchases and sales are classified as 75 percent Demand-Related and 25 percent Energy-Related. Non-firm purchases and sales are classified as 100 percent Energy-Related. This allocation balances the impact of demand and load on system costs.

Q. What is the difference between State Resources and System Resources?

A. State Resources include four defined types of resources that are dependent on specific state policy. Accordingly, it is appropriate to allocate the benefits and costs associated with these resources to a particular jurisdiction on a situs basis. System Resources include the substantial majority of the Company's resources, and contribute to retail service across the Company's entire multi-jurisdictional service territory.

Q. What types of resources are included in State Resources?

A. There are four types of State Resources. The first type of State Resource is demand-side management programs. These programs may include incentives for energy efficiency and demand response to reduce load. Costs associated with these programs are assigned on a situs basis to the jurisdiction in which the investment is made. Benefits from demand-side management programs are reflected in the load-based dynamic allocation factors.

The second type of State Resource includes resources acquired to comply with a jurisdiction's mandated resource portfolio standard, adopted through legislative enactment or by a regulatory commission. The portion of costs associated with portfolio standards that exceed the costs the Company would have otherwise incurred acquiring comparable resources (resources with similar capacity factors, start-up costs, and other output and operating characteristics) are assigned on a situs basis to the jurisdiction adopting the portfolio standard.

The third type of State Resource includes qualifying facility contacts executed under the requirements of the Public Utility Regulatory Policies Act ("PURPA"). PURPA requires that a public utility agree to purchase energy from certain cogeneration and small renewable energy generating facilities that meet the definition of a qualifying facility under PURPA. State commissions set the prices for each public utility under its jurisdiction for power purchase agreements under PURPA. The 2017 Protocol assigns the costs associated with qualifying facility contracts on a system basis unless a portion of the cost exceeds the costs the Company would have otherwise incurred acquiring comparable resources

(resources with similar capacity factors, start-up costs, and other output and operating characteristics) which would then be assigned on a situs basis to the jurisdiction that approved the contract.

The final type of State Resource includes any resources acquired in accordance with an initiative adopted by a specific jurisdiction. Any such resource is assigned on a situs basis to the jurisdiction adopting the initiative. Examples of these jurisdiction-specific initiatives include certain incentive programs, net-metering tariffs, capacity standard programs, solar subscription programs, electric vehicle programs, and the acquisition of renewable energy certificates.

Q. Does the 2017 Protocol alter the Company's resource planning responsibility or a Commission's authority?

A. No. Section XII provides that the Company will continue to plan and acquire new resources on a system-wide least-cost least-risk basis. Prudently incurred investments in resources will be reflected in rates consistent with the laws and regulations in each State, and approved by that State's Commissions consistent with such laws and regulations.

Embedded Cost Differential

Q. Explain the continued use of the Embedded Cost Differential ("ECD") in the 2017 Protocol.

A. As a result of negotiations, the Parties agreed that the ECD would continue as a component of the 2017 Protocol as modified and incorporated into an overall 2017 Protocol Adjustment that will be included in each State's revenue requirement. The ECD is fixed for Wyoming, Idaho and California; for Utah it is zero; and for Oregon, it is dynamic with upper and lower limits, for the duration of the 2017 Protocol. This treatment of the ECD during the term of the 2017 Protocol eliminates or mitigates unintended allocation consequences that occurred under the 2010 Protocol.

The ECD in the 2017 Protocol is referred to as the Baseline ECD. For California and Wyoming, the Baseline ECD was established using the data, as filed by the Company on March 3, 2015, in the 2015 Wyoming general rate case (Docket No. 20000-469-ER-15). Oregon's 2017 Protocol Baseline ECD is dynamic and will change over time with the parameters described in the 2017 Protocol. Idaho's Baseline ECD is its 2010 Protocol Fixed ECD amount. Utah's Baseline ECD is zero consistent with its 2010 Protocol agreement.

Q. Please describe the 2017 Protocol Adjustment and how it is implemented.

A. For the period that the 2017 Protocol remains in effect, a 2017 Protocol Adjustment will be added to each state's annual revenue requirement. The 2017 Protocol Adjustment is the sum of the 2017 Protocol Baseline ECD and the 2017 Protocol Equalization Adjustment.

Q. Please explain the 2017 Protocol Equalization Adjustment.

A. The Equalization Adjustment is a fixed dollar adjustment to be applied to each state's revenue requirement as specified in Section XIV of the 2017 Protocol. Parties to the 2017 Protocol negotiated an annual Equalization Adjustment of $9.074 million representing approximately two-tenths of one percent of each state's annual revenue requirement. The Equalization Adjustment is intended to recognize differences among the states' implementation of the 2010 Protocol respective to the treatment of the ECD adjustment i.e.; fixed ECD, dynamic ECD, or no ECD. The result of the 2017 Protocol Equalization Adjustment is to equitably share the allocation shortfall resulting from differences in the implementation of the 2010 Protocol while analysis continues on the development of a more permanent allocation method.

Q. What is the amount of the 2017 Protocol Adjustment that will be added to each state's annual revenue requirement?

A. California's 2017 Protocol Adjustment is zero because its Equalization Adjustment exactly offsets its Baseline ECD, Idaho's is $0.986 million, Utah's is $4.4 million and Wyoming's is a credit of $0.251 million. Because Oregon's Baseline ECD is dynamic within specified ranges, its 2017 Protocol Adjustment will be between a $5.6 million and a $7.9 million credit.

Q. Describe the difference between the fixed Baseline ECD used by the other states versus Oregon's Baseline ECD.

A. As mentioned above, with the exception of Oregon, the Baseline ECD is fixed for the duration of the 2017 Protocol. Oregon will continue to use a dynamic ECD for its Baseline ECD but the value is subject to lower and upper limits based on the negotiations with Oregon parties. Oregon's lower limit (or floor) of the Baseline ECD is $8.238 million and the upper limit (or cap) is $10.5 million for the first general rate case filed under 2017 Protocol. If the Company files a second general rate case using 2017 Protocol there's no change to the lower limit but the upper limit of the cap is increased to $11.0 million.

Q. Why is Oregon's ECD dynamic?

A. The Company agreed to Oregon's continued use of a dynamic ECD calculation as part of the negotiations. A dynamic ECD for Oregon is consistent with the 2010 Protocol. However, establishing parameters around the dynamic ECD, as agreed to by Oregon Parties as part of a negotiated outcome, mitigates many of the issues faced by the Company under the 2010 Protocol.

Cost Allocations

Q. How are transmission costs and revenues allocated under the 2017 Protocol?

A. Costs associated with transmission assets and firm wheeling expenses are classified as 75 percent Demand-Related and 25 percent Energy-Related. These costs are allocated based on a system generation factor. Non-firm wheeling expenses and revenues are allocated on a system energy factor. The system generation factor and system energy factors are described in the appendices to the 2017 Protocol.

Q. How are distribution costs assigned under the 2017 Protocol?

A. Distribution-related expenses and investments are directly assigned to the state where they are located where possible. There are certain distribution expenses and investments that cannot be directly assigned. For the costs that cannot be directly assigned, they will be allocated consistent with the factors identified in Appendix B to the 2017 Protocol.

Q. Can the company reclassify its facilities between transmission and distribution?

A. Yes. The classification of facilities as transmission or distribution depends on how the facility is used, and may change over time. Any such reclassification is generally done following an analysis by the Company, using tests adopted by the Federal Energy Regulatory Commission. The Company has committed in the 2017 Protocol to seek review and authorization of any such reclassification with the State Commissions before filing any request to approve a reclassification of facilities with the Federal Energy Regulatory Commission.

Q. How does the 2017 Protocol allocate administrative and general costs?

A. Appendix B provides for the specific allocation of administrative and general costs, general plant costs and intangible plant costs are allocated consistent with the factors in Appendix B to the 2017 Protocol.

Q. How does the 2017 Protocol address special contracts?

A. The 2017 Protocol provides that revenues associated with special contracts - meaning contracts between the Company and a particular customer based on the specific circumstances of that customer and approved by the state commission - will be included in each State's revenues (situs assigned). Load under the special contract is included in the load-based dynamic allocation factors, for jurisdictional allocation purposes, as defined in Appendix D, as more thoroughly discussed in the direct testimony of Mr. McDougal.

Q. Will the Company allocate any gain or loss from a sale of a resource or transmission asset based on the factors used to allocate the cost associated with that resource or transmission asset for ratemaking purposes?

A. Yes. The allocation of any loss or gain from the sale of a Company-owned resource or transmission asset will be allocated based on the allocation factor used to allocate fixed costs at the time of its sale. Each state commission will determine the allocation of any loss or gain between the Company's customers and shareholders in accordance with its jurisdictional authority.

State Programs Providing Access to Alternative Electricity Suppliers

Q. Does the 2017 Protocol Address the treatment of alternative Electricity Suppliers or State-specific Direct Access Programs?

A. Yes. The 2017 Protocol specifically addresses the Oregon direct access program. The 2017 Protocol also addresses the potential transfer of electricity service to an alternative electricity supplier in Utah under Utah Code Annotated Section 54-3-32, along with a requirement that the Company inform the State Commissions and Parties if any State adopts laws or regulations governing customer access to alternative electricity suppliers.

Q. How does the 2017 Protocol treat loads lost to the Oregon direct access programs during the term of the 2017 Protocol?

A. The 2017 Protocol provides that load associated with customers electing the one- or three-year Oregon direct access programs will be included in the load-based dynamic allocation factors for all resources. Transition adjustment payments from these customers will be situs assigned to Oregon.

The treatment of customers electing the five-year opt-out program under the Oregon direct access programs will be treated consistent with Public Utility Commission of Oregon Order No. 15-060, as clarified through Order No. 15-067, and Oregon Schedule 296, which allows customers to permanently opt-out of cost-of-service rates after payment of ten years of transition costs in Oregon.

During the ten-year period when Oregon direct access customers are paying transition costs, the Oregon direct access customers' loads will be included in load-based dynamic allocation factors, and the transition cost payments from these customers will be situs-assigned to Oregon. At the end of the ten-year period covered by the transition cost payments, the loads of the Oregon direct access customers will be excluded from load-based dynamic allocation factors. Thereafter, if an Oregon direct access customer elects to return to Oregon cost-of-service rates by providing four-years notice under Schedule 296, its load will be included in load-based dynamic allocation factors at the time the customer returns to Oregon cost of service rates.

Q. Does the 2017 Protocol allow for potential modifications to the Oregon direct access program?

A. Yes. Section X of the 2017 Protocol includes a provision to clarify that if Oregon adopts new laws or regulations regarding direct access, the treatment of loads lost to those programs may be re-determined. The Company commits to inform all the State Commissions if this occurs. This is similar to the process that would apply if any State adopts laws or regulations governing customer access to alternative electricity suppliers.

Q. Does the Utah Public Service Commission have a direct access program?

A. No. However, Utah Code Annotated Section 54-3-32 allows certain eligible customers in Utah to transfer electricity service to a non-utility energy supplier. If an eligible customer elects to transfer electricity service to a non-utility energy supplier, the customer must provide its public utility 18 months' notice.

Additionally, the Utah Division of Public Utilities must file a petition with the Utah Public Service Commission no later than eight months before the intended date of transfer seeking a determination by the commission regarding: (1) costs or credits allocated to Utah under any inter-jurisdictional cost allocation methodology the commission reasonably expects to be in effect; (2) costs of facilities used to serve the eligible that will not be used by other customers as a direct result of the eligible customer transferring service, and any credits offsetting the costs; and (3) any other costs to the public utility or to other customers of the public utility.

Q. Has the Company committed to notify the State commissions and Parties if the Utah Public Service Commission makes such a determination?

A. Yes.

Changes to Company Load

Q. Does the 2017 Protocol include a provision to address changes in load due to changes in the Company's retail service territory?

A. Yes. Section XI addresses the treatment of changes to load as a result of: condemnation or municipalization; the sale or acquisition of new service territory that involves less than five percent of system load; realignment of service territories; changes in economic conditions; or the gain or loss of large customers. These changes would be reflected in changes to the load-based dynamic allocation factors. The load-based dynamic allocation factors are calculated using the States' monthly energy usage and/or contribution to monthly system coincident peak. The allocation of costs and benefits arising from a merger, sale, or acquisition involving more than five percent of system load would be considered on a case-by-case basis in the course of any approval proceedings in each State.

Governance

Q. What is the purpose of the annual Commissioner Forums?

A. During the term of the 2017 Protocol, PacifiCorp agreed to analyze alternative allocation methods including corporate structure alternatives, divisional allocation methodologies, alternative system allocation methodologies, potential implications of Rule 111(d), and possible formation of a regional independent system operator. As part of the 2017 Protocol, the Company committed to present its analyses of these issues to the MSP BRWG and discuss them at Commissioner Forums.

The Company believes that annual Commissioner Forums are an appropriate way to keep the Commissioners and Parties informed, and that they will be an opportunity for all Parties to discuss whether to extend the 2017 Protocol for an additional year beyond the initial term. The Company anticipates that all Parties will remain engaged in the process of analyzing the results of these studies, and the Company believes that continuing to engage in this type of collaboration is in the best interests of the Parties and PacifiCorp's customers.

Q. Is there an opportunity for interested stakeholders to raise issues with the 2017 Protocol?

A. Yes. Any Party or Commission using the 2017 Protocol for inter-jurisdictional allocation purposes may submit proposals for a new inter-jurisdictional allocation procedure or change to the 2017 Protocol. Any such proposal must be provided to the Company so that Company can distribute the proposal to the other Parties and State Commissions and initiate discussions. The Party or Commission proposing the modification or new inter-jurisdictional allocation procedure must, consistent with its legal obligations, attempt to present the proposal to the Commissioner Forum or MSP Workgroup and negotiate a resolution in good faith.

Reservations of Rights

Q. What have the Parties agreed to with respect to reservations of rights?

A. Any Party may request that the Commission rescind, alter, or amend its order entered in connection with the 2017 Protocol if the Party concludes that the 2017 Protocol no longer produces results that are just, fair, reasonable, or in the public interest, due to unforeseen or changed circumstances. In addition, the 2017 Protocol will not bind or be used against any Party if unforeseen or changed circumstances, including new developments such as direct access programs implemented in a state, cause that Party to conclude that the 2017 Protocol no longer produces just and reasonable results, reasonable cost recovery for the Company, or is not in the public interest.

State-Specific Terms

Q. In addition to the Equalization Adjust discussed above, were there other state specific implementation terms?

A. Yes. Idaho's $0.986 million annual 2017 Protocol Adjustment will be included in base rates through a general rate case beginning no earlier than January 1, 2018, or to the extent that a case is filed so the rate effective date is later than that date, its $0.150 million annual Equalization Adjustment will be deferred on a monthly basis ($12,500 per month) from January 1, 2018, forward as a regulatory asset until the rate effective date of the Company's next Idaho general rate case at which time (1) the deferred costs and (2) the ongoing impact of Idaho's 2017 Protocol Adjustment will be included in rates.

In Oregon the Company agreed to a stay-out period so it wouldn't have any pending general rate case that requests rates effective before January 1, 2018. In return, the Oregon Parties agreed that Oregon's Equalization Adjustment of $2.6 million annually (or $216,667 monthly) would be deferred from January 1, 2017, until the 2017 Protocol Equalization Adjustment is reflected in base rates through the Company's next general rate case. This deferral will be reflected as a debit or reduction to the existing credit balance to be returned to customers in the Open Access Transmission Tariff revenue deferral account originally established through docket UE 246. For the first rate case filed using 2017 Protocol, Oregon's Baseline ECD is capped between $8.238 million and $10.5 million. If the Company files a second rate case the top end of the range increases to $11.0 million. The Company committed to file a new tariff to return to Oregon customers the balance of the OATT revenue deferral, net of the 2017 Protocol Equalization Adjustment deferral, within 60 days of an Oregon Commission order approving of the 2017 Protocol. The Company also committed to continued evaluation of the analysis I mentioned earlier and to distribute or present the results of its analysis to the BRWG, based on information available, no later than March 31, 2017.

In Utah, the Company agreed to an annual Utah Equalization Adjustment of $4.4 million and a 2017 Protocol Adjustment of the same amount. The Company also agreed that it will not file a Utah general rate case or major plant addition case prior to May 1, 2016, and new rates will not be effective prior to January 1, 2017. Utah's 2017 Protocol Adjustment shall be included in base rates through a general rate case with rates effective beginning on or after January 1, 2017. To the extent that a Utah general rate case or major plant addition case is filed with a rate effective date later than that date, Utah's Equalization Adjustment will be deferred on a monthly basis, ($366,667 per month), from January 1, 2017, forward as a regulatory asset until the rate effective date of PacifiCorp's next Utah general rate case at which time (1) the deferred costs and (2) the ongoing impact of Utah's 2017 Protocol Adjustment shall be included in rates. The deferred cost amortization period will be determined in the first case that the deferral of the Utah Equalization Adjustment is proposed for inclusion in rates.

Wyoming's 2017 Protocol Adjustment of a negative $0.251 million will be netted against Wyoming's 2017 Protocol revenue requirement. If the Company does not file a general rate case prior to January 1, 2017, Wyoming's Equalization Adjustment of $1.6 million annually will be deferred, as a regulatory asset, on a monthly basis, ($133,333 per month), beginning July 1, 2017, until the rate effective date of PacifiCorp's next Wyoming general rate case, at which time (1) the deferred costs and (2) Wyoming's ongoing impact of the 2017 Protocol Adjustment shall be included in rates.

Process for Commission Review of Application

Q. What process does the Company propose for the Commission review of this Application?

A. The Company is hopeful that the Commission will be able to complete its review of this Application by July 1, 2016. Significant analysis has been undertaken and reviewed by many parties since November 2012 as the BRWG considered many options. This analysis enabled the Parties to confidently negotiate the 2017 Protocol. The Company anticipates that each of the Parties will file testimony in support of the 2017 Protocol, and the Company believes that the Commission review can be accomplished, with input from the Parties, in this time frame.

Conclusion

Q. What action do you recommend the Commission take with respect to the Agreement?

A. The Company recommends that the Commission find that the 2017 Protocol is in the public interest and requests that the Commission approve this Application including all the terms and conditions of the 2017 Protocol in its order in this proceeding.

Q. Does this conclude your direct testimony?

A. Yes.